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Baucus bill offers some magical cost savings

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Cato's Michael Cannon, writing in the [New York Post](#), has uncovered some nifty budget gimmicks being used by Finance chairman Max Baucus as he tries to sell his bill.

Houdini would be proud of this guy. And the lesson Cannon is trying to teach is always watch what the magician is doing with his left hand because he's using his right to misdirect you:

The Senate Finance Committee will perpetrate a huge fraud on the US public today. Chairman Max Baucus promises to hold a final vote on his health-care overhaul -- most of whose costs he has hidden with budgetary gimmicks.

The widely reported numbers are wrong: This bill would increase the deficit and cost more than \$2 trillion over 10 years.

Yes, the headlines on the Congressional Budget Office's preliminary cost estimate were that the bill could cost \$829 billion over 10 years and trim the federal deficit by \$81 billion. But those numbers are pure fantasy -- as CBO plainly, if gently, indicated.

First off, Baucus relies on some cuts that we know won't actually get made.

Long ago, Congress enacted a series of annual cuts to Medicare physician payments that were supposed to begin in 2003. Starting that very year, however, Congress has repeatedly blocked those cuts.

Yet Baucus -- contrary to all experience -- assumes Congress will let those cuts take place starting in 2012. That implausible assumption creates some \$234 billion in "savings" that will never materialize. Factor them out, and the supposed \$81 billion in deficit reduction becomes \$153 billion in fresh deficit spending.

The CBO's language pooh-poohing Baucus on this was pure bureaucratese -- but the agency essentially told Baucus: If the sun rises in the west from 2012 through 2019, then yes, this bill would reduce the deficit.

That's not all. What the Baucus bill does is pass a lot of costs on to the private sector - which, of course, will eventually be passed on to consumers. How large a cost?

The Massachusetts Taxpayers Foundation found that new federal and state spending accounts for just 40 percent of the Bay State's reforms' cost -- and the private-sector mandates for 60 percent. Apply that ratio to the Baucus bill, and its actual cost exceeds \$2 trillion.

Let me add one thing that is not being bandied about much in talk about how much any of these bills will cost.

The subsidies the federal government will pay to people in order for them to afford health insurance are going to go up - fast. That's been the experience at state level after enacting mandated insurance coverage. And since the subsidies will be going to even the modestly wealthy (top rate for families will be an income level of \$82,000), no one can predict how much more those subsidies are going to cost the taxpayer. Chances are good it will be substantially more than they are figuring.

We are headed for a trainwreck - even though we can see what's coming from miles ahead.

Hat Tip: Ed Lasky